

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

MOTION FOR LATE ACCEPTANCE OF
AND RESPONSE OF UNITED STATES POSTAL SERVICE TO
DIRECT MARKETING ASSOCIATION
MOTION TO COMPEL RESPONSE TO DMA/USPS-11,
AND PARTIAL ANSWER TO INTERROGATORY
(December 31, 1997)

The United States Postal Service hereby responds to the Direct Marketing Association motion of December 22, 1997, to compel a response to DMA/USPS-11.

The interrogatory seeks information relating to, and a copy of, a 1995 study comparing the compensation of nonbargaining, nonexempt postal employees with private sector compensation. The Postal Service objected on the ground of relevance, pointing out that that test year costs are estimated based on actual Postal Service compensation levels and any anticipated changes in those levels. As the Postal Service stated, private sector compensation levels and the difference between those and the Postal Service's would provide no useful information in evaluating the costs estimated in this proceeding.

DMA's motion is based on a number of mistaken premises concerning the estimation of test year employee compensation costs. Rather than attempt to refute them, however, the Postal Service believes that it would be instructive to DMA, and to the Commission in the event that this controversy continues, to provide the answers to the questions DMA asked *about* the study and those are provided herewith. The Postal Service is not willing, however, to release the study itself, in light of both the irrelevance of this matter to any test year estimates, and the general sensitivity of the

subject matter, given the that new labor contract negotiations, and subsequently, consultations with the management associations are approaching.¹ The Postal Service believes that the responses to the interrogatories demonstrate that the report has no relevance to this proceeding.

Accordingly, DMA's motion should be dismissed as moot.

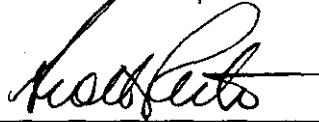
The Postal Service moves that this response be accepted two days late; the delay was due to the holiday period. In light of the fact that the Postal Service is providing herewith a virtually complete response to the interrogatory, the Postal Service does not believe that DMA or any other party will be prejudiced by the slight delay in responding to the motion.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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December 31, 1997

¹ The ultimate results of these negotiations and consultations will have no effect on the test year in this proceeding.

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DMA/USPS-11.

- a. Please confirm that a recent study of Postal Service wages for non-exempt postal employees found that Postal Service non-exempt wages were 30 to 60 percent higher than private sector employees performing similar work. If not confirmed, please explain fully.
- b. Please summarize the methodology and results of the wage comparability study and provide a copy of the study.
- c. Is the Postal Service taking any actions to better align wages for non-exempt employees with private sector wages for employees performing similar work? If so, please describe the actions. If not, why not?

RESPONSE:

a&b. Not confirmed. A study of total compensation for EAS employees was completed in February 1995 by the Hay Group compensation consultants entitled, "Comparison of United States Postal Service Nonbargaining-Unit Salaries and Benefits to Private Sector Market Data." The study showed that postal salaries in EAS grades 6 through 14, which is comprised of primarily non-exempt employees, range from 14 percent to 82 percent above average private sector levels. For EAS employees in grades 15 through 26, the range was minus 24 percent to plus 23 percent. This resulted in an overall difference for all EAS employees of 14.5 percent.

The methodology involved the collection of postal job content and salary data through written job descriptions, field visits to postal facilities, and interviews with postal job evaluation and content experts. These data were then

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compared with similar data collected from private sector companies to arrive at a comparison of average salaries for similar levels of job evaluations.

- c. The Postal Service has taken steps to align total compensation for EAS non-exempt employees with that found in the private sector through the consultative process with the management associations required under the Postal Reorganization Act. In 1996, the Postal Service implemented changes to the EAS compensation system, including eliminating cost-of-living and general increases; revising the merit pay program for increasing basic annual salaries within the salary ranges; and implementing a group incentive program for exempt employees. The effect of these provisions on the revenue requirement is already reflected in the Postal Service's test year estimates.

Any future changes would not affect the test year. Under the Act, the formal pay consultation process with the management associations begins no later than 45 days following the settlement with the largest postal union. That is currently the American Postal Workers Union, whose contract runs through November 20, 1998.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script, appearing to read "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

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